

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2012

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Davis County Community School District
Board of Education and School District Officials
Year ended June 30, 2012

Name	Title	Term Expires
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Board of Education
 (Before September 2011 Election)

Marty Owen	President	2011
Kenneth Wuthrich	Vice President	2011
Rob Melvin	Board Member	2011
Alan Bodkins	Board Member	2013
Alan Johnson	Board Member	2013
Rod Lynch	Board Member	2013
Sheryl Wright	Board Member	2013

(After September 2011 Election)

Kenneth Wuthrich	President	2015
Rod Lynch	Vice President	2013
Alan Bodkins	Board Member	2013
Alan Johnson	Board Member	2013
Sheryl Wright	Board Member	2013
Doug Dixon	Board Member	2015
Nancy Hougland	Board Member	2015

School District Officials

Kim Johnson	Superintendent	2012
Betsy Bassett	District Secretary/Treasurer and Business Manager	2012
Rick Lynch	Attorney	Indefinite
Danielle Haindfield		



Independent Auditor's Report

To the Board of Education
Davis County Community School District
Bloomfield, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Davis County Community School District, Bloomfield, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Davis County Community School District at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2012 on our consideration of Davis County Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 11 and 36 through 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Davis County Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the nine years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 7, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Van Maanen, Sietstra & Meyer, PC

Van Maanen, Sietstra & Meyer, PC
Certified Public Accountants

October 17, 2012

Davis County Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2012 Financial Highlights

General Fund revenues increased from \$11,171,610 in fiscal year 2011 to \$11,524,025 in fiscal year 2012, while General Fund expenditures increased from \$10,983,125 in fiscal year 2011 to \$11,492,622 in fiscal year 2012. The District's General Fund balance increased from \$878,775 at the end of fiscal year 2011 to \$910,178 at the end of fiscal year 2012, a 3.5 percent increase.

The fiscal year 2012 General Fund revenue increase was attributable to increases in local sources and state sources. The increase in expenditures was due primarily to an increase in instruction costs.

The District has a solvency ratio of 4.53%. Experts recommend a solvency ratio between 5-15%. A district can only impact its solvency ratio by either increasing revenues or by reducing expenditures. The 10% state budget reduction in revenue in 2009 continues to influence the solvency ratio, as well as increasing expenditures such as salaries and the employer share of IPERS.

The District continued to support professional development for implementation of the Iowa Core Curriculum and for improvement in reading, mathematics, science, technology and character education.

Overview of the Financial Statements

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

The first two statements are *District-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.

The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.

The *governmental funds statements* explain how basic services such as regular and special education were financed in the short term as well as what remains for future spending.

Proprietary funds statements offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.

Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements of the District's budget for the year.

District-wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two District-wide statements report the District's *net assets* and how they have changed. Net assets—the difference between the District's assets and liabilities—are one way to measure the District's financial health or position.

Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively.

To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are divided into two categories.

Governmental activities: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.

Business-type activities: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program would be included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds—not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants.

The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

Governmental funds: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship differences between the two statements.

The District's governmental funds include the General Fund, Special Revenue Funds and Debt Service Fund.

Proprietary funds: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements.

The District's enterprise fund, one type of proprietary fund, is the same as its business-type activities but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund—school nutrition program.

Fiduciary funds: The District is the trustee, or fiduciary, for assets that belong to others, such as scholarships.

The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations. Currently, one scholarship is held in this fund.

**Davis County Community School District
Management's Discussion and Analysis
Year Ended June 30, 2012**

Figure A-1 below provides a summary of the District's net assets at June 30, 2012 compared to June 30, 2011.

Figure A-1							
Condensed Statement of Net Assets							
(Expressed in Thousands)							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-2012
Current and other assets	\$ 9,240	8,647	59	119	9,299	8,766	6.1%
Capital assets	12,428	12,774	165	122	12,593	12,896	-2.3%
Total assets	21,668	21,421	224	241	21,892	21,662	1.1%
Long-term liabilities	9,985	10,377	-	-	9,985	10,377	-3.8%
Other liabilities	5,789	5,241	12	6	5,801	5,247	10.6%
Total liabilities	15,774	15,618	12	6	15,786	15,624	1.0%
Net assets:							
Invested in capital assets, net of related debt	2,828	2,889	165	122	2,993	3,011	-0.6%
Restricted	2,660	2,571	-	-	2,660	2,571	3.5%
Unrestricted	406	343	47	113	453	456	-0.7%
Total net assets	\$ 5,894	5,803	212	235	6,106	6,038	1.1%

Financial Analysis of the District as a Whole

The District has strong fund balances and trend data is improving. Experts in school finance recommend a General Fund solvency ratio between 5-15 percent, and the District is at 4.53 percent. Our trend is improving due to General Fund expenditures not exceeding revenues for the last two years. The District has determined needs in several areas, and is carefully utilizing existing balances to improve those areas. These areas include, but are not limited to, increasing student achievement, improving professional development, updating infrastructure needs and maintaining quality staff.

**Davis County Community School District
Management's Discussion and Analysis
Year Ended June 30, 2012**

Figure A-2 shows the change in net assets for the year ended June 30, 2012 compared to the year ended June 30, 2011.

Figure A-2 Changes in Net Assets (Expressed in Thousands)								
	Governmental Activities		Business type Activities		Total District		Total Change	
	Year ended June 30, 2012 2011		Year ended June 30, 2012 2011		Year ended June 30, 2012 2011		June 30, 2011-2012	
Revenues:								
Program revenues:								
Charges for service	\$ 970	1,042	220	231	1,190	1,273	-6.5%	
Operating grants, contributions and restricted interest	2,196	2,503	294	297	2,490	2,800	-11.1%	
General revenues:								
Property tax	3,625	3,401	-	-	3,625	3,401	6.6%	
Local option sales and service tax	889	811	-	-	889	811	9.6%	
Unrestricted state grants	5,220	4,876	-	-	5,220	4,876	7.1%	
Unrestricted investment earnings	12	27	-	1	12	28	-57.1%	
Other	236	91	(2)	-	234	91	157.1%	
Total revenues	13,148	12,751	512	529	13,660	13,280	2.9%	
Program expenses:								
Governmental activities:								
Instruction	8,422	7,912	-	-	8,422	7,912	6.4%	
Support services	3,721	3,687	-	-	3,721	3,687	0.9%	
Non-instructional programs	-	-	535	521	535	521	2.7%	
Other expenses	915	925	-	-	915	925	-1.1%	
Total expenses	13,058	12,524	535	521	13,593	13,045	4.2%	
Extraordinary item	1	36	-	-	1	36	-97.2%	
Change in net assets	\$ 91	263	(23)	8	68	271	-74.9%	

In the 2011-12 school year:

The District used the Physical Plant and Equipment Levy (PEEL) Fund for infrastructure expenses that included a new parking area for buses, sidewalk replacement and concrete patching for the street in front of the new high school. The District had an opportunity to partner with local emergency management services for a grant to purchase new radios for our buses to be compliant with new laws.

Sales tax revenues were used for technology purchases, completion of the greenhouse at the new High School and electrical updates in the Middle School kitchen area. Increased enrollment required some remodeling for additional classrooms, and sales tax revenue was used for those expenditures.

The following table, A-3, presents the cost of the District's major governmental activities: instruction, support services, non-instructional program and other expenses for the year ended June 30, 2012 compared to the year ended June 30, 2011.

Figure A-3
Total and Net Cost of Governmental Activities
(Expressed in Thousands)

	Total Cost of Services		Change 2011-2012	Net Cost of Services		Change 2011-2012
	2012	2011		2012	2011	
Instruction	\$ 8,422	7,912	6.4%	5,674	4,856	16.8%
Support services	3,721	3,687	0.9%	3,721	3,658	1.7%
Other expenses	915	925	-1.1%	497	465	6.9%
Totals	\$ 13,058	12,524	4.3%	9,892	8,979	10.2%

The cost of all governmental activities this year was \$13,058,000. The increase of \$534,000 was due to increased costs in the instruction function.

The portion of the cost financed by users of the District's programs was \$9,892,000.

The net portion of the governmental activities was financed with \$4,514,000 in property and sales tax and \$5,220,000 in state sources.

Business-type Activities

The District's business-type activity is the School Nutrition Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income. Revenues of the District's business-type activities decreased by \$17,000 from \$529,000 in fiscal year 2011 to \$512,000 in 2012 while expenses increased by \$14,000 from \$521,000 in fiscal year 2011 to \$535,000 in fiscal year 2012.

Financial Analysis of the District Funds

As previously noted, the Davis County Community School District uses fund accounting to ensure and demonstrate compliance with the finance-related legal requirements.

Governmental Fund Highlights

The General Fund balance was \$910,178, a net increase of \$31,403 from the prior year or 3.02 percent.

The fund balance total of all Governmental Funds increased from \$3,326,258 to \$3,407,563. This was an increase of 2.3 percent.

Business-type Highlights

The Healthy Kids Act established nutritional content standards for food and beverages sold or provided on school grounds during the school day. As a result, the school lunch and breakfast programs were altered to comply with said Act, and an implementation dip resulted during fiscal year 2012 which decreased revenues. With the purchase of more fresh fruits and vegetables came increased expenses for the School Nutrition Fund.

The USDA eventually wants school districts to increase their lunch and breakfast prices to equal the federal reimbursement rate for free and reduced meals. This will require the District to increase its student meal prices some each year.

In fiscal year 2012, new equipment was purchased and installed in the kitchen at the Elementary/Middle School to assist with the preparation of healthier and more appealing student meals. The cost of the new equipment increased School Nutrition Fund expenditures in fiscal year 2012, but it is hoped that better meals will lead to more participation and ultimately increased revenue.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice for all funds, except component units, internal service funds, permanent funds and agency funds. This is referred to as the certified budget. The certified budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's certified budget is prepared on a modified accrual basis.

School districts have two levels of budgetary control. One form of budgetary control exists through the "certified budget," which includes all funds of the District as noted above. This budget is certified with the County Auditor and Department of Management each year. Iowa school districts may not certify a general fund budget in excess of its spending authority.

The other level of budgetary control is the "unspent (maximum) authorized budget" and pertains only to the General Fund of the District. The maximum authorized budget is the total "spending authority" in the General Fund of the District. The unspent balance of the budgetary concept does not mean the "actual General Fund cash." It is imperative for patrons of District financial information to make this important distinction. The unspent balance is a budgetary carryover and does not represent actual dollars (General Fund) or actual financial position (unassigned General Fund balance) of the District.

Capital Asset and Debt Administration

**Figure A-4
Capital Assets, net of Depreciation
(Expressed in Thousands)**

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-2012
Land	\$ 107	107	-	-	107	107	0.0%
Buildings	11,412	11,668	-	-	11,412	11,668	-2.2%
Improvements other than buildings	628	662	-	-	628	662	-5.1%
Furniture and equipment	281	337	165	122	446	459	-2.8%
Totals	\$ 12,428	12,774	165	122	12,593	12,896	-2.3%

By the end of fiscal year 2011, the District had invested \$12,427,859, net of accumulated depreciation, in a broad range of capital assets including land, buildings, athletic facilities, computers, promethean boards, audio-visual equipment and transportation equipment.

Long-term Debt

Figure A-5 Outstanding Long-Term Obligations (Expressed in Thousands)			
	Total District June 30,		Total Change June 30, 2011-2012
	2012	2011	
Revenue bonds	\$ 9,260	9,525	-2.8%
Notes	340	360	0.0%
Bond premiums	57	60	-5.0%
Early retirement	229	358	-36.0%
Compensated absences	26	26	0.0%
Net OPEB liability	73	48	52.1%
Totals	\$ 9,985	10,377	-3.8%

At year-end, the District had \$9,929,514 in sales tax revenue bond debt and other long-term outstanding debt. This represents a decrease from last year. Bond premiums and early retirement decreased, but Other Post-Employment Benefits (OPEB) liabilities increased.

\$265,000 was paid on the principal debt for the high school building project, and a principal amount of \$9,260,000 remains.

\$20,000 was paid on the no interest Rural Economic Development Loan through Southern Iowa Electric Coop. The remaining principal amount is \$340,000. The loan is being repaid \$10,000 quarterly beginning in January 2012. Loan repayment will be completed in October 2020. The loan is being repaid from one cent sales tax funds for Capital Projects expenditures.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future.

- Enrollment: Increased enrollment is always good but at the same time brings new situations such as availability of classrooms for increased numbers of students. Discussions may need to begin regarding this matter.
- Future across-the-board cuts, funding freezes and low allowable growth rates
- Employee contract settlements
- Health Care Reform Act: The magnitude of costs associated with the regulations of Health Care Reform is still unknown.
- Increases in employer share of IPERS
- Future bus barn addition, as well as upkeep for the Elementary and Middle School buildings and infrastructure upgrades
- Requirements of Governor Branstad's Education Reform
- Planning and preparing for Phase 2 of the high school building project

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Betsy Bassett, Board Secretary/Business Manager, Davis County Community School District, 608 South Washington Street, Bloomfield, Iowa 52537-2137.

Basic Financial Statements

Davis County Community School District
Statement of Net Assets
June 30, 2012

	Governmental Activities	Business type Activities	Total
Assets			
Cash and cash equivalents	\$ 4,186,753	23,144	4,209,897
Receivables:			
Property tax:			
Delinquent	66,739	-	66,739
Succeeding year	4,225,776	-	4,225,776
Accounts	210	-	210
Due from other governments	619,891	-	619,891
Inventories	-	35,934	35,934
Bond issuance costs	140,956	-	140,956
Capital assets, net of accumulated depreciation	12,427,859	165,046	12,592,905
Total assets	21,668,184	224,124	21,892,308
Liabilities			
Accounts payable	202,859	425	203,284
Salaries and benefits payable	1,134,376	2,422	1,136,798
Due to other governments	628	-	628
Accrued interest payable	225,315	-	225,315
Deferred revenue:			
Succeeding year property tax	4,225,776	-	4,225,776
Other	126	7,522	7,648
Long-term liabilities:			
Portion due within one year:			
Early retirement	128,041	-	128,041
Revenue bonds	280,000	-	280,000
Notes	40,000	-	40,000
Compensated absences	26,041	1,672	27,713
Portion due after one year:			
Bond premiums	56,986	-	56,986
Early retirement	101,210	-	101,210
Revenue bonds	8,980,000	-	8,980,000
Notes	300,000	-	300,000
Net OPEB liability	72,550	-	72,550
Total liabilities	15,773,908	12,041	15,785,949
Net assets			
Invested in capital assets, net of related debt	2,827,859	165,046	2,992,905
Restricted for:			
Management levy purposes	89,807	-	89,807
Physical plant and equipment	90,873	-	90,873
Debt service	289,756	-	289,756
School infrastructure	1,641,002	-	1,641,002
Student activities	160,632	-	160,632
Categorical funding	387,707	-	387,707
Unrestricted	406,640	47,037	453,677
Total net assets	\$ 5,894,276	212,083	6,106,359

See notes to financial statements.

Davis County Community School District
Statement of Activities
Year ended June 30, 2012

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total
Governmental activities:						
Instruction:						
Regular	\$ 5,918,303	548,238	1,002,421	(4,367,644)	-	(4,367,644)
Special	1,636,501	100,920	747,546	(788,035)	-	(788,035)
Other	867,777	320,670	29,029	(518,078)	-	(518,078)
	<u>8,422,581</u>	<u>969,828</u>	<u>1,778,996</u>	<u>(5,673,757)</u>	<u>-</u>	<u>(5,673,757)</u>
Support Service:						
Student	283,023	-	-	(283,023)	-	(283,023)
Instructional staff	248,732	-	-	(248,732)	-	(248,732)
Administration	1,468,844	-	-	(1,468,844)	-	(1,468,844)
Operating and maintenance of plant	905,924	-	-	(905,924)	-	(905,924)
Transportation	809,606	-	-	(809,606)	-	(809,606)
	<u>3,716,129</u>	<u>-</u>	<u>-</u>	<u>(3,716,129)</u>	<u>-</u>	<u>(3,716,129)</u>
Other expenditures:						
Facilities acquisition	45,150	-	-	(45,150)	-	(45,150)
Long-term debt interest	452,130	-	-	(452,130)	-	(452,130)
AEA flowthrough	417,367	-	417,367	-	-	-
	<u>914,647</u>	<u>-</u>	<u>417,367</u>	<u>(497,280)</u>	<u>-</u>	<u>(497,280)</u>
Total governmental activities	13,053,357	969,828	2,196,363	(9,887,166)	-	(9,887,166)
Business type activities:						
Non-instructional programs:						
Food service operations	534,418	219,908	293,625	-	(20,885)	(20,885)
Total	<u>\$ 13,587,775</u>	<u>1,189,736</u>	<u>2,489,988</u>	<u>(9,887,166)</u>	<u>(20,885)</u>	<u>(9,908,051)</u>
General revenues:						
Property tax levied for:						
General purposes				\$ 3,540,617	-	3,540,617
Capital outlay				84,756	-	84,756
Statewide sales, services and use tax				888,810	-	888,810
Unrestricted state grants				5,220,046	-	5,220,046
Unrestricted investment earnings				20,528	333	20,861
Other				137,284	-	137,284
Gain (loss) on disposal of assets				12,221	(1,918)	10,303
Contributions not restricted to specific programs				77,826	-	77,826
Total general revenues				<u>9,982,088</u>	<u>(1,585)</u>	<u>9,980,503</u>
Extraordinary item:						
Storm damage recovery				1,258	-	1,258
Change in net assets				96,180	(22,470)	73,710
Net assets beginning of year, as restated				<u>5,798,096</u>	<u>234,553</u>	<u>6,032,649</u>
Net assets end of year				<u>\$ 5,894,276</u>	<u>212,083</u>	<u>6,106,359</u>

See notes to financial statements.

Davis County Community School District
Balance Sheet
Governmental Funds
June 30, 2012

	General	Debt Service	Capital Projects	Non-Major	Total
Assets					
Cash and pooled investments	\$ 1,853,530	515,071	1,436,166	381,986	4,186,753
Receivables:					
Property tax:					
Delinquent	59,591	-	1,618	5,530	66,739
Succeeding year	3,830,652	-	95,124	300,000	4,225,776
Accounts	210	-	-	-	210
Due from other governments	325,800	-	294,091	-	619,891
Total assets	\$ 6,069,783	515,071	1,826,999	687,516	9,099,369
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 193,823	-	-	9,036	202,859
Salaries and benefits payable	1,134,376	-	-	-	1,134,376
Due to other governments	628	-	-	-	628
Early retirement payable	-	-	-	128,041	128,041
Deferred revenue:					
Succeeding year property tax	3,830,652	-	95,124	300,000	4,225,776
Other	126	-	-	-	126
Total liabilities	5,159,605	-	95,124	437,077	5,691,806
Fund balances:					
Restricted for:					
Categorical funding	387,707	-	-	-	387,707
Debt service	-	515,071	803,030	-	1,318,101
Management levy purposes	-	-	-	89,807	89,807
Student activities	-	-	-	160,632	160,632
School infrastructure	-	-	837,972	-	837,972
Physical plant and equipment	-	-	90,873	-	90,873
Unassigned	522,471	-	-	-	522,471
Total fund balances	910,178	515,071	1,731,875	250,439	3,407,563
Total liabilities and fund balances	\$ 6,069,783	515,071	1,826,999	687,516	9,099,369

See notes to financial statements.

Exhibit D

**Davis County Community School District
Reconciliation of the Balance Sheet
Governmental Funds to the Statement of Net Assets
June 30, 2012**

Total fund balances of governmental funds	\$ 3,407,563
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***Amounts reported for governmental activities in the
Statement of Net Assets are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	12,427,859
--	------------

Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(225,315)
--	-----------

Long-term liabilities, including bonds payable, early retirement, compensated absences and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Those liabilities consist of:

Revenue bonds payable	\$ (9,260,000)	
Notes payable	(340,000)	
Bond issuance costs	140,956	
Bond premiums	(56,986)	
Early retirement	(101,210)	
Compensated absences	(26,041)	
Other postemployment benefits	(72,550)	(9,715,831)
	<hr/>	<hr/>

Net assets of governmental activities	\$ 5,894,276
--	---------------------

See notes to financial statements.

Exhibit E

Davis County Community School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2012

	General	Debt Service	Capital Projects	Non-Major	Total
Revenues:					
Local sources:					
Local tax	\$ 3,239,967	-	973,566	300,650	4,514,183
Tuition	648,017	-	-	-	648,017
Other	205,052	32	27,083	322,776	554,943
State sources	6,607,465	-	58	208	6,607,731
Federal sources	811,184	-	-	-	811,184
Total revenues	11,511,685	32	1,000,707	623,634	13,136,058
Expenditures:					
Current:					
Instruction:					
Regular	5,624,850	-	-	103,404	5,728,254
Special	1,610,050	-	-	-	1,610,050
Other	497,880	-	-	337,958	835,838
	7,732,780	-	-	441,362	8,174,142
Support services:					
Student	281,174	-	-	-	281,174
Instructional staff	180,279	-	31,708	-	211,987
Administration	1,326,191	-	1,235	131,256	1,458,682
Operation and maintenance of plant	862,550	-	7,200	35,551	905,301
Transportation	692,281	-	51,546	12,330	756,157
	3,342,475	-	91,689	179,137	3,613,301
Other expenditures:					
Facilities acquisition	-	-	119,190	-	119,190
Long-term debt:					
Principal	-	285,000	-	-	285,000
Interest and fiscal charges	-	458,093	-	-	458,093
AEA flowthrough	417,367	-	-	-	417,367
	417,367	743,093	119,190	-	1,279,650
Total expenditures	11,492,622	743,093	210,879	620,499	13,067,093
Excess (deficiency) of revenues over (under) expenditures	19,063	(743,061)	789,828	3,135	68,965
Other financing sources (uses):					
Sale of equipment	11,082	-	-	-	11,082
Storm damage recovery	1,258	-	-	-	1,258
Operating transfers in	-	750,630	-	-	750,630
Operating transfers out	-	-	(750,630)	-	(750,630)
Total other financing sources (uses)	12,340	750,630	(750,630)	-	12,340
Net change in fund balances	31,403	7,569	39,198	3,135	81,305
Fund balances beginning of year, as restated	878,775	507,502	1,692,677	247,304	3,326,258
Fund balances end of year	\$ 910,178	515,071	1,731,875	250,439	3,407,563

See notes to financial statements.

Davis County Community School District
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds to the Statement of Activities
Year ended June 30, 2012

Net change in fund balances - total governmental funds **\$ 81,305**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 138,311	
Sale of equipment	(11,082)	
Gain (loss) on disposal of assets	12,221	
Depreciation expense	(485,885)	(346,435)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Also, governmental funds report the effect of issuance costs and premiums, whereas these amounts are deferred in and amortized in the Statement of Activities. The amounts in the current year are as follows:

Principal received	-	
Principal repaid	285,000	
Amortization of bond issuance costs	(7,831)	
Amortization of bond premiums	3,166	280,335

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

5,963

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement	99,904	
Compensated absences	(428)	
Other postemployment benefits	(24,464)	75,012

Change in net assets of governmental activities **\$ 96,180**

See notes to financial statements.

Exhibit G

Davis County Community School District
Statement of Net Assets
Proprietary Fund
June 30, 2012

	School Nutrition
Assets	
Cash and cash equivalents	\$ 23,144
Inventories	35,934
Capital assets, net of accumulated depreciation	165,046
Total assets	224,124
Liabilities	
Accounts payable	425
Salaries and benefits payable	2,422
Deferred revenue:	
Other	7,522
Compensated absences	1,672
Total liabilities	12,041
Net Assets	
Invested in capital assets	165,046
Unrestricted	47,037
Total net assets	\$ 212,083

See notes to financial statements.

Exhibit H

Davis County Community School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
Year ended June 30, 2012

	School Nutrition
Operating revenue:	
Local sources:	
Charges for service	\$ 219,908
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	197,019
Benefits	44,219
Purchased services	10,092
Supplies	258,761
Depreciation	23,206
Miscellaneous	1,121
Total operating expenses	534,418
Operating loss	(314,510)
Non-operating revenues:	
Interest income	333
State sources	4,697
Federal sources	288,928
	293,958
Non-operating expenses:	
Loss on disposition of capital assets	(1,918)
Change in net assets	(22,470)
Net assets beginning of year	234,553
Net assets end of year	\$ 212,083

See notes to financial statements.

Exhibit I

Davis County Community School District
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2012

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 227,430
Cash payments to employees for services	(243,213)
Cash payments to suppliers for goods or services	(229,288)
Net cash used by operating activities	<u>(245,071)</u>
Cash flows from non-capital financing activities:	
State grants received	4,697
Federal grants received	247,296
Net cash provided by non-capital financing activities	<u>251,993</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(68,271)
Net cash used by capital and related financing activities	<u>(68,271)</u>
Cash flows from investing activities:	
Interest on investments	333
Net cash used by investing activities	<u>333</u>
Net decrease in cash and cash equivalents	(61,016)
Cash and cash equivalents at beginning of year	<u>84,160</u>
Cash and cash equivalents at end of year	<u><u>\$ 23,144</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (314,510)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	41,632
Depreciation	23,206
(Increase) in inventories	(1,371)
Increase in accounts payable	425
(Decrease) in salaries and benefits payable	(2,132)
Increase in deferred revenue	7,522
Increase in compensated absences	157
Net cash used by operating activities	<u><u>\$ (245,071)</u></u>
Reconciliation of cash and cash equivalents at year end to specific assets included on Statement of Net Assets:	
Current assets:	
Cash and cash equivalents	\$ 23,144
Cash and cash equivalents at year end	<u><u>\$ 23,144</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2012, the District received \$41,632 of federal commodities.

See notes to financial statements.

Exhibit J

Davis County Community School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
Assets	
Cash and pooled investments	<u>\$ 3,417</u>
Total assets	<u><u>\$ 3,417</u></u>
Net Assets	
Reserved for scholarships	<u><u>\$ 3,417</u></u>

See notes to financial statements.

Exhibit K

Davis County Community School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year ended June 30, 2012

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Interest on investments	\$ 30
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	-
Change in net assets	30
Net assets beginning of year	3,387
Net assets end of year	\$ 3,417

See notes to financial statements.

(1) **Summary of Significant Accounting Policies**

Davis County Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-K through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Bloomfield, Iowa and the predominate agricultural territory in portions of Davis and Van Buren counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Davis County Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Davis County Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Davis County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

Fund accounting - The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, reserves, fund balance/net assets, revenues and expenditures or expenses, as appropriate. The District has the following funds:

Governmental Fund Types: Governmental fund types are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

General Fund: The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

Debt Service Fund: The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

Capital Projects Fund: The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The other governmental funds of the District are considered non-major and are as follows:

Special Revenue Funds: The Special Revenue Funds account for the revenue sources that are legally restricted to expenditures for specific purposes. These funds consist of the following:

Management Fund: This fund is authorized by Iowa Code Section 298.4 and accounts for transactions related to unemployment, early retirement, judgments and settlements and the cost of liability insurance as it relates to property and casualty.

Student Activity Funds: This fund accounts for transactions that occur due to student-related activities from groups and organizations such as athletic and activity events, fundraising and other extra-curricular or co-curricular activities.

Proprietary Fund Types: Proprietary fund types are used to account for the District's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon income determination, financial position and cash flows. The following are the District's proprietary funds:

Enterprise Funds: Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the District has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the District has elected to apply all applicable Financial Accounting Standards Board (FASB) pronouncements, issued on or before November 30, 1989, except for those pronouncements which conflict with or contradict GASB pronouncements.

The following enterprise fund of the District is considered non-major:

School Nutrition Fund: This fund accounts for transactions related to the school lunch, breakfast and summer food programs authorized by Iowa Code 283A.

Fiduciary Fund Types: Fiduciary funds account for assets held by the District in a trustee or agency capacity for the benefit of others and cannot be used to support District activities. The District has the following fiduciary fund type:

Private Purpose Trust Fund: These funds account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2011.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	3,000
Furniture and equipment:	
School Nutrition Fund equipment	300
Other furniture and equipment	2,500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of unspent grant proceeds as well as the succeeding year's property tax receivable.

Deferred revenue on the Statement of Net Assets consists of unspent grant proceeds as well as the succeeding year's property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned – All amounts not included in other spendable classifications.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, expenditures exceeded the amount budgeted in the support services function.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2012, the District had investments as follows:

Success Bank Certificate of Deposit	\$	2,605
Community First Bank Certificate of Deposit		3,206
Iowa Schools Joint Investment Trust:		
Diversified Portfolio		23,394
Bankers Trust ISJIT		
Diversified Portfolio		1,308,376
	\$	<u>1,337,581</u>

The investments in the Iowa School Joint Investment Trust are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa School Joint Investment Trust were rated Aaa by Moody's Investors Service.

(3) **Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 750,630

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2012 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 107,275	-	-	107,275
Total capital assets not being depreciated	107,275	-	-	107,275
Capital assets being depreciated:				
Buildings	14,876,330	38,410	-	14,914,740
Improvements other than buildings	1,861,032	35,630	-	1,896,662
Furniture and equipment	1,922,187	64,271	20,411	1,966,047
Total capital assets being depreciated	18,659,549	138,311	20,411	18,777,449
Less accumulated depreciation for:				
Buildings	3,208,404	294,094	-	3,502,498
Improvements other than buildings	1,198,951	71,071	1,139	1,268,883
Furniture and equipment	1,585,175	120,720	20,411	1,685,484
Total accumulated depreciation	5,992,530	485,885	21,550	6,456,865
Total capital assets being depreciated, net	12,667,019	(347,574)	(1,139)	12,320,584
Governmental activities capital assets, net	\$ 12,774,294	(347,574)	(1,139)	12,427,859
Business type activities:				
Furniture and equipment	\$ 300,975	68,271	59,824	309,422
Less accumulated depreciation	179,076	23,206	57,906	144,376
Business type activities capital assets, net	\$ 121,899	45,065	1,918	168,882

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 260,773
Special	23,689
Other	31,939

Support services:

Student	1,060
Instructional staff	36,745
Administration	24,219
Operation and maintenance of plant	3,892
Transportation	103,568

Total depreciation expense - governmental activities	\$ 485,885
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Business type activities:

Food service operations	\$ 23,206
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(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2012 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Revenue bonds	\$ 9,525,000	-	265,000	9,260,000	280,000
Rural economic development loan	360,000	-	20,000	340,000	40,000
Early retirement	358,027	20,000	148,776	229,251	128,041
Compensated absences	25,613	26,041	25,613	26,041	26,041
Net OPEB liability	48,086	24,464	-	72,550	-
Total	\$ 10,316,726	70,505	459,389	9,927,842	474,082
Business type activities:					
Compensated absences	\$ 1,515	1,672	1,515	1,672	1,672
	\$ 1,515	1,672	1,515	1,672	1,672

Revenue Bonds

Details of the District's June 30, 2012 statewide sales, service and use tax revenue bonded indebtedness are as follows:

Bond Issue of June 22, 2009				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
2013	4.50%	\$ 280,000	444,330	724,330
2014	4.50	365,000	429,817	794,817
2015	4.50	380,000	413,055	793,055
2016	4.50	395,000	395,618	790,618
2017	4.50	415,000	377,392	792,392
2018	4.50	430,000	358,380	788,380
2019	4.30	445,000	339,138	784,138
2020	4.50	465,000	319,107	784,107
2021	4.60	485,000	297,490	782,490
2022	5.00	510,000	273,585	783,585
2023	5.00	530,000	247,585	777,585
2024	5.00	555,000	220,460	775,460
2025	5.00	585,000	191,960	776,960
2026	5.00	620,000	161,835	781,835
2027	5.20	650,000	129,435	779,435
2028	5.20	680,000	94,855	774,855
2029	5.25	720,000	58,275	778,275
2030	5.25	750,000	19,687	769,687
Total		\$ 9,260,000	4,772,004	14,032,004

The District has pledged future statewide sales, services and use tax revenues to repay the \$9,695,000 of bonds issued in June, 2009. The bonds were issued for the purpose of financing a portion of the costs of a new school. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. The total principal and interest remaining to be paid on the notes is \$14,032,004. For the current year, \$265,000 of principal and \$456,593 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$888,810.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) \$803,030 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

Notes

Details of the District's June 30, 2012 Rural Economic Development loan indebtedness are as follows:

Note Issue of December, 2010				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
2013	0.00%	\$ 40,000	-	40,000
2014	0.00%	40,000	-	40,000
2015	0.00%	40,000	-	40,000
2016	0.00%	40,000	-	40,000
2017	0.00%	40,000	-	40,000
2018	0.00%	40,000	-	40,000
2019	0.00%	40,000	-	40,000
2020	0.00%	40,000	-	40,000
2021	0.00%	20,000	-	20,000
Total		\$ 340,000	-	340,000

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$620,682, \$512,042, and \$506,812, respectively, equal to the required contributions for each year.

(7) Other Post-Employment Benefits (OPEB)

Plan Description - The District operates a retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 54 active and 8 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is purchased through an outside provider. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 38,191
Interest on net OPEB obligation	1,158
Adjustment to annual required contribution	(2,820)
Annual OPEB cost	36,529
Contributions made	(12,065)
Increase in net OPEB obligation	24,464
Net OPEB obligation beginning of year	48,086
Net OPEB obligation end of year	\$ 72,550

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2012 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 34,263	29.10%	24,309
June 30, 2011	33,731	29.51%	48,086
June 30, 2012	36,529	33.03%	72,550

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2012, the actuarial accrued liability was \$317,410, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$317,410. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$7,600,000, and the ratio of the UAAL to covered payroll was 4.2%. As of June 30, 2012, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumption includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 6%.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

(8) Termination Benefits

The District offered a voluntary early retirement plan for certified employees. Eligible employees must have been at least age fifty-five and employees must have completed ten years of continuous service to the District. Employees must have completed an application which was required to be approved by the Board of Education. An eligible employee in the early retirement program may have elected to receive either option 1 or option 2. The option elected was stated in the application. Option 1 was a \$20,000 cash benefit payable over four (4) annual installments of \$5,000 each. Option 2 was a \$20,000 cash benefit payable over five (5) annual installments of \$4,000 each. Early retirement benefits paid during the year ended June 30, 2012, totaled \$148,776.

(9) Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$417,367 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Related Party Transactions

The District had business transactions totaling \$50,798 between the District and District officials during the year ended June 30, 2012.

(12) Subsequent Event

Two former employees have been charged with criminal charges. One was found guilty in July of 2012 and the other has not gone to trial as of yet. To this date, the District has not been named as a defendant in either case.

(13) Restatement

The total beginning net assets of government activities and the beginning General Fund balance was decreased by \$4,732 due to a recalculation of prior year payables.

Required Supplementary Information

Davis County Community School District
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances
Budget and Actual - All Governmental Funds and Proprietary Funds
Required Supplementary Information
Year ended June 30, 2012

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance- Positive (Negative)
				Original	Final	
Revenues:						
Local sources	\$ 5,717,143	220,241	5,937,384	5,479,770	5,479,770	457,614
State sources	6,607,731	4,697	6,612,428	6,695,112	6,695,112	(82,684)
Federal sources	811,184	288,928	1,100,112	923,000	923,000	177,112
Total revenues	13,136,058	513,866	13,649,924	13,097,882	13,097,882	552,042
Expenditures:						
Instruction	8,174,142	-	8,174,142	8,248,750	8,248,750	74,608
Support services	3,613,301	-	3,613,301	3,540,426	3,577,926	(35,375)
Non-instructional programs	-	534,418	534,418	500,000	600,000	65,582
Other expenditures	1,279,650	-	1,279,650	1,292,940	1,324,940	45,290
Total expenditures	13,067,093	534,418	13,601,511	13,582,116	13,751,616	150,105
Excess (deficiency) of revenues over (under) expenditures	68,965	(20,552)	48,413	(484,234)	(653,734)	(702,147)
Other financing sources, net	12,340	(1,918)	10,422	-	-	(10,422)
Excess (deficiency) of revenues and other financing sources over (under) expenditures	81,305	(22,470)	58,835	(484,234)	(653,734)	(712,569)
Balances beginning of year, as restated	3,326,258	234,553	3,560,811	2,541,822	2,541,822	(1,018,989)
Balances end of year	\$ 3,407,563	212,083	3,619,646	2,057,588	1,888,088	(1,731,558)

See accompanying independent auditor's report.

Davis County Community School District
Notes to Required Supplementary Information - Budgetary Reporting
Year Ended June 30, 2012

This budgetary comparison is presented as Required Supplementary Information in accordance with *Governmental Accounting Standards* Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2012, expenditures exceeded the amount budgeted in the support services function.

Davis County Community School District
Schedule of Funding Progress for the Retiree Health Plan
Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2008	\$ -	347,415	347,415	0.0%	\$ 7,500,000	4.6%
2011	July 1, 2008	-	345,459	345,459	0.0%	7,500,000	4.6%
2012	July 1, 2008	-	317,410	317,410	0.0%	7,600,000	4.2%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

Other Supplementary Information

Schedule 1

Davis County Community School District
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2012

	Special Revenue		
	Management Levy	Student Activity	Total
Assets			
Cash and pooled investments	\$ 212,318	169,668	381,986
Receivables:			
Property tax:			
Delinquent	5,530	-	5,530
Succeeding year	300,000	-	300,000
Total assets	\$ 517,848	169,668	687,516
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	9,036	9,036
Early retirement payable	128,041	-	128,041
Deferred revenue:			
Succeeding year property tax	300,000	-	300,000
Total liabilities	428,041	9,036	437,077
Fund Balances:			
Restricted for:			
Management levy purposes	89,807	-	89,807
Student activities	-	160,632	160,632
Total fund balances	89,807	160,632	250,439
Total liabilities and fund balances	\$ 517,848	169,668	687,516

See accompanying independent auditor's report.

Schedule 2

Davis County Community School District
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
Year ended June 30, 2012

	Special Revenue		
	Management Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 300,650	-	300,650
Other	12,371	310,405	322,776
State sources	208	-	208
Total revenues	313,229	310,405	623,634
Expenditures:			
Current:			
Instruction:			
Regular	103,404	-	103,404
Other	-	337,958	337,958
Support services:			
Administration	127,981	3,275	131,256
Operating and maintenance of plant	35,551	-	35,551
Transportation	12,330	-	12,330
Total expenditures	279,266	341,233	620,499
Excess (deficiency) of revenues over (under) expenditures	33,963	(30,828)	3,135
Fund balance beginning of year	55,844	191,460	247,304
Fund balance end of year	\$ 89,807	160,632	250,439

See accompanying independent auditor's report.

Schedule 3

Davis County Community School District
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
Year ended June 30, 2012

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Senior High				
Yearbook	\$ 10,593	7,195	7,659	10,129
Concessions	16,601	18,145	26,867	7,879
Mustang Media	430	820	-	1,250
Mustang Pride Day	52	50	32	70
Athletics	24,580	55,431	63,696	16,315
Football	3,577	17,384	24,120	(3,159)
Baseball	4,323	5,981	10,000	304
Boys' Track	14	3,317	3,192	139
Wrestling	4,021	12,103	12,957	3,167
Cross Country	3,437	5,608	3,458	5,587
Girls' Basketball	2,576	4,425	3,487	3,514
Boys' Basketball	1,201	4,043	4,622	622
Girls' Softball	4,042	6,347	7,341	3,048
Girls' Track	1,102	5,328	4,288	2,142
Girls' Volleyball	6,184	13,634	16,554	3,264
Instrumental Music	5,793	10,993	11,912	4,874
Soda	1,840	3,739	3,340	2,239
Vocal Music	528	5,893	3,672	2,749
Speech	97	531	256	372
3 Act Play	1,266	510	368	1,408
Future Farmers of America	17,370	32,818	29,446	20,742
Quiz Bowl	23	-	-	23
National Honor Society	20	451	230	241
Cheerleading	6,619	9,081	10,683	5,017
Spanish Club	2,091	134	-	2,225
Student Council	640	1,224	306	1,558
Art Club	56	8,652	8,368	340
Girls' Tennis	1,227	268	388	1,107
Boys' Tennis	765	592	930	427
Class of 2011	393	-	387	6
Class of 2012	2,625	1,321	3,175	771
Class of 2013	357	6,759	5,981	1,135
Class of 2014	198	1,945	1,122	1,021
Class of 2015	66	635	20	681
Class of 2016	-	54	-	54
Future Educators of America	1,969	2,158	1,967	2,160
Girls' Golf	1,276	670	841	1,105
Octagon Club	30	-	-	30
High School Academics	1,691	5,135	6,296	530
HS Milk	2,476	6,218	1,723	6,971
HS Letter Jackets	1,492	963	2,312	143
IA Science Club	615	5,860	1,643	4,832
Dollars For Scholars	512	2,763	3,275	-
Boys' Golf	509	1,090	985	614
Subtotal	135,277	270,268	287,899	117,646

Schedule 3

Davis County Community School District
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
Year ended June 30, 2012

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Middle School				
Athletics	2,095	9,533	9,144	2,484
Vocal Music	5,301	2,079	1,428	5,952
Instrumental Music	946	214	231	929
Student Council	1,363	5,872	6,518	717
Yearbook	2,630	2,413	3,324	1,719
7th/8th Football	955	150	150	955
7th/8th Girls Basketball	5	-	-	5
7th/8th Boys' Basketball	61	-	-	61
Cross Country	162	-	1	161
Girls' Track	217	1,000	-	1,217
8th Volleyball	33	-	4	29
Wrestling	28	-	-	28
Student Council Pop Cans	134	15	-	149
Middle School Academics	12,397	8,086	7,932	12,551
Middle School Milk	2,331	5,563	3,457	4,437
Mutchler Rental	855	-	-	855
Gifted/Talented	1,172	1,880	531	2,521
Subtotal	30,685	36,805	32,720	34,770
Bloomfield Elementary				
Academics	25,020	2,432	19,686	7,766
Elementary Pop	230	-	-	230
Home School	78	900	928	50
Interest	170	-	-	170
Subtotal	25,498	3,332	20,614	8,216
Total	\$ 191,460	310,405	341,233	160,632

See accompanying independent auditor's report.

Schedule 4

Davis County Community School District
Combining Balance Sheet
Capital Project Accounts
June 30, 2012

		Capital Projects		
		Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets				
Cash and pooled investments		\$ 1,346,911	89,255	1,436,166
Receivables:				
Property tax:				
Delinquent		-	1,618	1,618
Succeeding year		-	95,124	95,124
Due from other governments		294,091	-	294,091
Total assets		\$ 1,641,002	185,997	1,826,999
Liabilities and Fund Balances				
Liabilities:				
Deferred revenue:				
Succeeding year property tax		\$ -	95,124	95,124
Total liabilities		-	95,124	95,124
Fund balances:				
Restricted for:				
Debt service		803,030	-	803,030
School infrastructure		837,972	-	837,972
Physical plant and equipment		-	90,873	90,873
Total fund balances		1,641,002	90,873	1,731,875
Total liabilities and fund balances		\$ 1,641,002	185,997	1,826,999

See accompanying independent auditor's report.

Schedule 5

Davis County Community School District
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Capital Project Accounts
Year ended June 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 888,810	84,756	973,566
Other	6,464	20,619	27,083
State sources	-	58	58
Total revenues	895,274	105,433	1,000,707
Expenditures:			
Current:			
Support services:			
Instructional staff	31,708	-	31,708
Administration	-	1,235	1,235
Operation and maintenance of plant	-	7,200	7,200
Transportation	-	51,546	51,546
Other expenditures:			
Facilities acquisition	90,079	29,111	119,190
Total expenditures	121,787	89,092	210,879
Excess (deficiency) of revenues over (under) expenditures	773,487	16,341	789,828
Other financing sources (uses)			
Operating transfers in (out)	(750,630)	-	(750,630)
Total other financing sources (uses)	(750,630)	-	(750,630)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	22,857	16,341	39,198
Fund balances beginning of year	1,618,145	74,532	1,692,677
Fund balances end of year	\$ 1,641,002	90,873	1,731,875

See accompanying independent auditor's report.

Davis County Community School District
Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds
For the Last Ten Years

	Modified Accrual Basis									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenues:										
Local sources:										
Local tax	\$ 4,514,183	4,212,154	3,982,845	3,912,580	3,661,556	3,759,205	3,692,023	3,298,803	2,868,349	2,905,572
Tuition	648,017	556,696	426,341	450,219	476,889	523,010	600,186	560,369	426,545	369,288
Other	554,943	590,253	458,279	530,792	467,508	445,742	403,411	374,513	370,043	347,262
State sources	6,607,731	6,369,502	5,498,043	6,539,708	5,914,312	5,810,933	5,515,711	5,588,939	5,174,073	5,290,080
Federal sources	811,184	1,011,849	1,461,585	761,386	690,483	786,793	1,029,880	1,390,813	649,006	673,138
Total	<u>\$ 13,136,058</u>	<u>12,740,454</u>	<u>11,827,093</u>	<u>12,194,685</u>	<u>11,210,748</u>	<u>11,325,683</u>	<u>11,241,211</u>	<u>11,213,437</u>	<u>9,488,016</u>	<u>9,585,340</u>
Expenditures:										
Instruction:										
Regular	\$ 5,728,254	5,581,992	5,908,935	5,670,214	5,323,249	5,067,509	4,937,473	4,061,128	3,836,553	3,514,299
Special	1,610,050	1,275,892	1,457,209	1,430,994	1,393,701	1,234,633	1,385,202	2,012,697	1,783,994	1,579,726
Other	835,838	848,494	586,024	474,335	457,030	426,860	437,152	1,011,658	806,413	816,751
Support services:										
Student	281,174	270,702	265,204	261,647	300,165	283,987	257,427	275,258	229,569	190,222
Instructional staff	211,987	166,077	217,841	180,304	150,229	161,232	126,382	270,315	263,706	231,455
Administration	1,458,682	1,542,486	1,436,589	1,432,204	1,474,623	1,413,251	1,436,205	1,264,451	990,996	943,032
Operation and maintenance										
of plant	905,301	912,164	996,407	718,539	723,406	691,604	619,083	617,424	605,722	565,106
Transportation	756,157	670,746	785,356	789,870	919,032	805,241	709,096	619,903	597,750	534,063
Food service operations	-	-	-	-	-	-	3,690	8,241	8,055	9,300
Other expenditures:										
Facilities acquisition	119,190	3,344,398	5,521,775	793,262	252,576	363,879	684,979	1,169,972	214,957	31,572
Long-term debt:										
Principal	285,000	170,000	-	255,000	250,000	245,000	245,000	240,000	240,000	205,000
Interest and other charges	458,093	468,630	248,108	172,939	14,527	20,138	25,620	29,990	36,070	77,360
AEA flowthrough	417,367	460,092	456,463	422,045	395,919	371,339	355,258	355,649	342,137	367,023
Total	<u>\$ 13,067,093</u>	<u>15,711,673</u>	<u>17,879,911</u>	<u>12,601,353</u>	<u>11,654,457</u>	<u>11,084,673</u>	<u>11,222,567</u>	<u>11,936,686</u>	<u>9,955,922</u>	<u>9,064,909</u>

See accompanying independent auditor's report.

Schedule 7

Davis County Community School District
Schedule of Expenditures of Federal Awards
Year ended June 30, 2012

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 12	42,525
National School Lunch Program	10.555	FY 12	246,403
			<u>288,928</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY 12	<u>396,991</u>
Career and Technical Education - Basic Grants to States	84.048	FY 12	<u>25,114</u>
Rural Education Achievement Program	84.358	FY 12	<u>24,615</u>
Improving Teacher Quality State Grants	84.367	FY 12	<u>74,262</u>
Grants for State Assessments and Related Activities	84.369	FY 12	<u>7,644</u>
ARRA - State Fiscal Stabilization Fund (SFSF)			
Education State Grants, Recovery Act	84.394	FY 12	<u>1,404</u>
Education Jobs Fund	84.410	FY 12	<u>161,818</u>
Area Education Agency:			
Special Education - Grants to States	84.027	FY 12	<u>62,115</u>
Enhancing Education Through Technology	84.318	FY 12	<u>300</u>
Investing In Innovation	84.396	FY 12	<u>1,774</u>
Total			<u>\$ 1,044,965</u>

See accompanying independent auditor's report.

Davis County Community School District
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards presents the activity of all federal financial assistance programs of the Davis County Community School District for the year ended June 30, 2012. All federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies is included in the schedule. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of states, Local Governments and Nonprofit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2. Significant Accounting Policies

For governmental funds, in accordance with the modified accrual basis of accounting, revenue from federal grants is recognized when they become both measureable and available. For proprietary funds, in accordance with the accrued basis of accounting, revenues from federal grants are recognized in the period they are earned. Expenditures of federal awards are recognized in the accounting period when the liability is incurred.

Note 3. Noncash Assistance

The schedule includes federal awards in the form of noncash assistance (commodities) received during the year in the amount of \$41,632 related to USDA Commodities grants provided by the U.S. Department of Agriculture passed through the Iowa Department of Education, CFDA No. 10.555.



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CERTIFIED PUBLIC ACCOUNTANTS

**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards**

To the Board of Education of
Davis County Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Davis County Community School District, Bloomfield, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated October 17, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of Davis County Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Davis County Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Davis County Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Davis County Community School District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Davis County Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Davis County Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Davis County Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Davis County Community School District and other parties to whom Davis County Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Davis County Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Van Maanen, Sietstra & Meyer, PC

Van Maanen, Sietstra & Meyer, PC
Certified Public Accountants

October 17, 2012



Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

To the Board of Education of Davis County Community School District:

Compliance

We have audited Davis County Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Davis County Community School District's major federal programs for the year ended June 30, 2012. Davis County Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Davis County Community School District's management. Our responsibility is to express an opinion on Davis County Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Davis County Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Davis County Community School District's compliance with those requirements.

In our opinion, Davis County Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The management of Davis County Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Davis County Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Davis County Community School District's internal control over compliance.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Davis County Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we expressed our conclusions on the District's responses, we did not audit Davis County Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Davis County Community School District and other parties to whom Davis County Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Van Maanen, Sietstra & Meyer, PC

Van Maanen, Sietstra & Meyer, PC
Certified Public Accountants

October 17, 2012

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) No material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with the Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Clustered Programs:
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
 - CFDA Number 84.010 – Title I Grants to Local Educational Agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Davis County Community School District qualified as a low-risk auditee.

Part II: Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

Part III: Findings and Questioned Costs for Federal Awards

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

Part IV: Other Findings Related to Required Statutory Reporting

IV-A-12 Certified Budget - Expenditures for the year ended June 30, 2012, exceeded the amended certified budget amount in the support services function.

Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion – Response accepted.

IV-B-12 Questionable Expenditures - No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-12 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-12 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Rick Lynch, Brother to Board Member Rod Lynch Lynch Law Office	Legal Services	\$11,449
Doug Dixon, Board Member Mind's Ear Music	Services	447
Don Huggins, Brother-in-law of Director of Support Services Dan Roberts Huggins Electric	Electrical Services	26,618
Lincoln Lynch, Son of Board Member Rod Lynch Lynch Boys Auction	Sales Commissions	12,284

None of the transactions appear to be a conflict of interest and they appear to be in compliance with board policies.

Recommendation - The District may want to consult legal counsel to determine disposition of this matter.

Response - We will consider the need to consult with legal counsel.

Conclusion - Response accepted.

IV-E-12 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.

IV-F-12 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.

Davis County Community School District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

IV-G-12 Certified Enrollment – A variance in the basic enrollment data certified to the Iowa Department of Education was noted.

Recommendation – The certified enrollment data should be corrected.

Response – We will attempt to correct certified enrollment errors in the future.

Conclusion – Response accepted.

IV-H-12 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-12 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy were noted.

IV-J-12 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.

IV-K-12 Categorical Funding – No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-L-12 Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	1,618,145
Revenues/transfers in:			
Sales tax revenues	\$	888,810	
Other local revenues		6,464	895,274
			<u>2,513,419</u>
Expenditures/transfers out:			
School infrastructure construction		90,079	
Other		31,708	
Transfers to other funds:			
Debt service funds		750,630	872,417
			<u>872,417</u>
Ending balance		\$	<u><u>1,641,002</u></u>

For the year ended June 30, 2012, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation		Property Tax Dollars Reduced
Debt service levy	\$	3.58527	888,810